

**ASSEMBLY STANDING COMMITTEE
COMMITTEE OF THE WHOLE
THE CITY AND BOROUGH OF JUNEAU, ALASKA
MINUTES**

February 1, 2016, 6:00 PM.
Municipal Building - Assembly Chambers

Assembly Worksession - No public testimony This meeting will immediately follow the Special Assembly Meeting in Executive Session to review candidates for City Manager - so start time may be later than 6 pm.

I. ROLL CALL

Deputy Mayor Jesse Kiehl called the meeting to order at 6:55 p.m. in the Assembly Chambers.

Assemblymembers Present: Mary Becker, Maria Gladziszewski, Loren Jones, Jesse Kiehl, Jerry Nankervis, Barbara Sheinberg (teleconference), Kate Troll and Debbie White.

Assemblymembers Absent: None.

Staff present: Kim Kiefer, City Manager; Amy Mead, Municipal Attorney, Mila Cosgrove, Deputy City Manager; Laurie Sica, Municipal Clerk; Rob Steedle, Community Development Director; Rorie Watt, Engineering and Public Works Director; Bob Bartholomew, Finance Director; Greg Chaney, Lands and Resources Manager; Samantha Stoughtenger, WWTP Operations Superintendent.

II. APPROVAL OF AGENDA

Hearing no objections, the agenda was approved.

III. APPROVAL OF MINUTES

None.

IV. AGENDA TOPICS

A. Ordinance 2016-02 An Ordinance Amending the Nuisance Code Relating to Marijuana in Residential Zones and Providing for a Penalty.

Ms. Kiefer said this ordinance was introduced and set for public hearing on February 8, and this was the Assembly's opportunity to discuss any issues.

Mr. Nankervis said he was not in favor of making an offense of this ordinance a crime. He suggested a penalty or some other approach. Ms. Mead said that issue was not discussed by the committee and was a matter for the Assembly.

Ms. Becker asked if by stating "in residential areas," this could be a business done in people's homes.

Mr. Kiehl said the idea behind this was that hash oil or concentrate extraction could be done with butane, which had fire code implications. This is not about a dangerous location, but a dangerous activity. If this was a licensed marijuana business reviewed by the Fire Marshal, butane could be acceptable, and if not licensed, it would be limited regarding manufacturing techniques.

MOTION, by Becker, to remove "in residential areas" from the code. Hearing no objection, it was so ordered.

The Assembly discussed the penalties for violation of the code and the fine schedule. Mr. Nankervis said he was satisfied with the way the ordinance was written after hearing the discussion.

MOTION, by Gladziszewski, to refer Ordinance 2016-02 back to the Assembly, as amended. Hearing no objection, it was so ordered.

B. Lands Management Plan

Mr. Chaney provided a brief overview of the DRAFT Lands Management Plan. He spoke to changes adopted since the plan was last before the Lands and Resources Committee and how individual properties could be located on the map and in the associated tables.

Ms. Gladziszewski asked Mr. Chaney to double check the direction from the Parks and Recreation Advisory Committee regarding Pocket Park.

Mr. Nankervis asked if he should contact Mr. Chaney directly or at the next meeting with properties he believed should be disposed. Mr. Chaney said either way.

Ms. Troll asked if something says retain / dispose, this is a decision that has not been made and would still need to be made by the Assembly. Mr. Chaney said that was correct. Ms. Mead said this is a plan only and not binding.

Mr. Jones said he would like to see the Advisory Boards to the Assembly provide copies of the minutes where they took action on the recommendations included in the Lands Plan, so he could independently review the background on the recommendations. He said the Boards should be advising the Assembly directly rather than the staff.

C. Quarry Management

Mr. Watt said the rock quarry and gravel pit management was an important activity to provide products for public and private projects and keeping costs down. Engineering provides the planning, the permitting, the collection of royalties and the management of the pit, running interference with private businesses taking product. CBJ sought a private management firm to manage the quarry this summer as there was significant mediation to be done and we think it makes sense from a business decision to hire staff to manage the quarry instead.

Mr. Nankervis asked if there was enough revenue from the product sales to support the position. Mr. Watt said yes. He also said the quarry was at the end of a ten year conditional use permit, and the quarry needed to be re-permitted and another area of the pit needed to be opened, and this was significant work.

Mr. Watt responded to Ms. Becker regarding the type of skills needed. He said that he did need Assembly action tonight because the hiring would need to take place before the end of the fiscal year. He said that a persons with the right skill set has been identified.

MOTION, by Troll, to support the requested hire for FY16 and throughout the budget process, with the understanding that the hire would provide cost savings.

Ms. Becker spoke about her concern regarding the number of new positions being identified and going through the hiring process without going through the budget process.

Ms. Troll said she looked at this as taking advantage of a potential hire and saving funds being spent on contract management.

Hearing no objection, it was so ordered.

D. Resolution 2741 A Resolution Urging the Alaska Legislature to Adopt a Balanced Sustainable, and Predictable State Budget Plan for FY2017 and Future Years.

Ms. Kiefer said that Mr. Kevin Jardell, CBJ Lobbyist, had drafted this in conversation with Mr. Bartholomew and this was a time for questions prior to the February 8 Assembly meeting, where it would appear on the agenda.

Ms. Troll asked if the "comprehensive package" could be interpreted that CBJ supports a statewide sales tax, and she wanted to make sure that didn't happen. Mr. Jardell said this resolution was patterned on the one adopted by the Alaska Municipal League. He cautioned the Assembly from getting into too many specifics. People are well aware that the community does not favor a statewide sales tax and there will be people ready to lobby against that. This resolution is an incremental one and it was useful for the local delegation to have this backing. For the other legislators, it was just another resolution. The main emphasis is to speak to the use of the permanent fund earnings, which is highly controversial now.

Mr. Nankervis said he did not recall that the Assembly as a body took a stand on this direction, including the statewide sales tax. He asked if this resolution would be seen as positive or negative. Mr. Jardell said that the local delegation would respect the local Assembly's opinion and that would be its major effect. If 150 communities weighed in that would be meaningful but to legislators outside of Juneau it may not have that much weight as an individual resolution.

Ms. Gladziszewski asked if AML made a statement on a statewide sales tax? Mr. Jardell said he thought it was the last option, and there was a preference against, but that the localities wanted to be able to weigh in on those decisions. Ms. Gladziszewski asked about an amendment to clarify the a local community could keep the sales tax it collected if a state sales tax was added. Mr. Jardell said that even if there was a 2% statewide sales tax, if it was part of an overall package, people may want to be able to weigh in and debate it.

Ms. Troll said she was comfortable with the wording and it was true that the Assembly had not taken a formal vote on the statewide sales tax. The main message that needs to be delivered is "take action" and the biggest piece is dealing with the permanent fund earnings, and if that piece was addressed in this session that would be significant.

Ms. Becker said that her concern was in section 1, because a comprehensive package of initiatives was vague and she did not know what all of those initiatives would be. Mr. Jardell said a comprehensive plan did not weigh in on specific measures, and that people would not read into it specific tools. She said this was an AML resolution which included things she did not support.

MOTION, by Becker, to delete section "to enact a comprehensive package of initiatives..."

Mayor Becker said it was not clear what the initiatives were that were proposed.

MOTION, by Ms. Troll, to amend to only delete the word "comprehensive."

Mr. Keihl said he could support that but not the removal of a package of initiatives. He said he had strong opinions on this but it would take a package or several approaches, including cuts, a variety of revenue pieces, and for us only to identify one, by name, and otherwise say a package is necessary, is the wiser approach. Some use of permanent fund earnings was where the money was because there was no way to solve the problem without it. This resolution calling for a package and some use of permanent fund earnings was reality.

Ms. Gladziszewski said the important part was to take action this year. She agreed that a package would include a variety of options that would not be palatable to all people.

Ms. Becker said she did not want to be tied to AML's list.

Hearing no objection, Resolution 2741 was amended to remove the word "comprehensive."

MOTION, by Gladziszewski, to forward resolution 2741 to the Assembly on February 8 as amended. Hearing no objection, it was so ordered.

E. Financial Status of CBJ - "and how did we get here?"

Mr. Bartholomew said his presentation was intended to prepare a foundation for future budget discussions. CBJ is currently in a strong, stable financial position. On February 10, the Finance Committee will look at a three year projection, to see what the future may hold. CBJ's financial position, with assets and liabilities, show that our assets are steadily growing, and the liabilities are staying relatively flat. We have sold and paid off debt, until 2015, when we recorded the unfunded pension liability. We are paying off a portion of the annual liability each year. There has been significant growth due to capital projects from federal, state, empowered boards and we have kept our debts flat. Spikes in revenues indicate years CBJ sells bonds and when there are large project funds received from the FAA for the airport. The biggest component of charges for services in revenues are charges at the hospital. The second highest income source is taxes. There has been a \$16 million growth in taxes over eight years, which was slow and steady. Other revenue came from State and Federal sources. Over time revenues and expenses will balance, but they will not always match. Expenditures are slowly growing and a big piece is capital projects. The two biggest pieces of growth are in Bartlett and other enterprise funds combined. The largest expense is personnel services. The increase in 2016 is based on budget, not actuals, so when 2016 is over, the Personnel services will be lower than the graph is showing. There has been some growth in commodities and services, most of the growth is hospital equipment. Debt Service is slowly decreasing. He reviewed CIP Expenditures and funding sources and there is still strong revenue from the federal government and a commitment from sales taxes, which varies from \$13 and \$17 million a year, and there are specific 1% projects. The state has a five year moratorium on school bonds and major maintenance.

He explained the available fund balance and the growth reflects the action taken over the last two budget cycles, with cuts taken and the Federal government continuing to provide the payment in lieu of taxes (PILT funds). He explained the more restricted budget reserve, and said both of the funds were growing.

He said the CBJ is in a strong, stable financial position which was opportune given the state's financial situation. We can enter our two year budget cycle from a strong basis and adjust to what happens.

Barbara Sheinberg signed out of the meeting at 8:25 p.m.

F. Biosolids Update

Mr. Watt said the staff had tried to the accomplish tasks set by the Assembly. Information was taken to the Utility Advisory Board and he thanked the board members (four of which were present) for their tireless work. He said Mr. Chris Gerondale and Mr. Roscoe "Spike" Bicknell IV had spent an extraordinary amount of time tracking down information on the monofill concept for the Juneau Monofill Company (JMC), a private monofill proposer. They looked at a minimum of six properties. The economic assumptions from the UAB are the best information that they can provide. The ultimate decision belongs to the Assembly, and there is significant information in the packet. He believes the situation is ripe for a decision. There are two items in the red folder, one an update to the rate model in answer to some questions by Mr. Kiehl, and the other is more information about green house gases in a monofil, in comparison to the dryer option. The monofil would create more greenhouse gases even with some gas recovery and flaring.

Mr. Watt summarized his recommendation. The best we can do for our rate payers is to pursue the dryer project. It has a high capital cost, but over the long haul, it does the best we can for the rate payers, especially over a longer horizon. The dryer gives us certainty for 20 years and the best profile, with a capital asset that is paid off and would continue to operate at the end of the 20 years. It allows CBJ to control the waste stream. The current situation is untenable and expensive and we need to get off interstate shipping of sludge as soon as possible.

Ms. White asked why local control was so important. Mr. Watt said that garbage collection and landfill were two main complaints from the public to staff at CBJ and CBJ doesn't have any control over these operations. If we contract out for disposal of biosolids, we can anticipate many issues, but we don't have perfect vision and over time, we would wish we had more control over a monofilling operation.

Mr. Nankervis said that when a service is contracted, the operator is on the hook to fix it. With the control comes fiscal responsibility. Mr. Watt gave a scenario that CBJ contracts for a monofil and several years in, the public determines that it doesn't like the option, then at that time we are locked in for a period of time. Mr. Watt said as the producer of the waste, the CBJ will always have a certain responsibility and obligation regarding the compliance with laws.

Mr. Kiehl said that since the proposal is no longer a dryer with a burner, what would be done with the pellets? Mr. Watt said the pellets have an energy value and some enterprising person could burn them for heat, a municipal facility could use them. It will be an inconsistent fuel and somewhat dirty, so there would be a higher maintenance cost to burn them, so he saw someone in the private sector being the user. They have a nutrient value as well and can be blended with soils and gravel to augment top soil. There is a high demand for topsoil in town. The amount of topsoil used for re-vegetation for highway projects provides ample demand.

Ms. White asked how many more employees would be needed to create the pellets. Mr. Watt said none. The dryer was an expensive piece of equipment, but easy to run. Wastewater operators will check on the dryer and he reviewed the operation, and thought this would be a wash with current operations.

Ms. Becker asked if there would be any solids that would not be used in the pellet production that would need disposal. He said there would be nothing left. Ms. Becker asked if anything would go to the landfill. Mr. Watt said that the landfill was always looking for free sources of soil as their daily cover, so the pellets could supplant that.

Ms. Troll asked about the monofil facility. Mr. Watt said that the project contemplated an unlined trench. Ms. Troll asked if there was a potential for metals and toxins over time. Mr. Watt said DEC would review leachates, gasses, vector attraction and there would be a constant monitoring requirement, and a post closure monitoring requirement, and it would be subject to a contract that would be signed once a permit and bonding was obtained. It would take some time to get to a working situation with a vendor. Ms. Troll asked if the permits and the contract would be the means to address issues. Mr. Watt said CBJ would be responsible, along with the contractor and the regulators, to address issues.

Ms. Gladyszewski asked about bond debt capacity and the current status. Mr. Bartholomew said there is capacity for about \$20 million, and we are paying it off at about \$20 million per year. He has done more analysis and was working on documenting the debt, so from the estimate from last June, to now, the State of Alaska is committed to paying a portion of our general bond debt, and that is expected to continue. He treated general bond debt and revenue bond debt the same in the last review but we will do more analysis on this. He believes that with the \$20 million capacity and with no debt issued in 2016, there is about \$40 million capacity and this is conservative. CBJ is well under our overall bond debt.

Mr. Kiehl asked about the monofil proposal, would this lock us into payments and would that be called debt? Mr. Bartholomew said currently construction contracts were considered liabilities, but not debt.

Mr. Nankervis asked specific questions about the numbers in the charts provided and the staff and other Assemblymembers discussed the details. Mr. Watt explained his 1/28/16 memo and the tables and the assumptions determined by CBJ, UAB and JMC. Mr. Watt said the UAB took a more conservative approach in their assumptions. The monofil concept has a third variation. He explained the reasoning behind the options for a dryer, status quo shipping, a monofill and monofill + dryer.

Ms. White asked about the need to refurbish the dryer in the future. Mr. Watt said there was a manufacturing center in North Carolina. He spoke about reinvestment in the future that would be needed. There will be a lifespan of up to 20, but if maintained, it can run longer. The cost of the project was the dryer and the building to house the dryer and at 20 years you would look at the process equipment only for maintenance / replacement. Ms. White asked how rebuilding the machine would be accomplished. Mr. Watt said that would be done by a mechanical contractor with custom made equipment to rebuild.

Mr. Kiehl said the committee had two options - to give direction to staff or to seek more information.

Ms. Gladyszewski thanked those present for all of the work and effort and for answering many questions. She said she was ready to move the dryer forward. She finally had enough information to be comfortable with that decision. No action was not an option.

Ms. White said she could not support that at this time.

Ms. Troll said shipping as status quo was not acceptable and said the city needed to make a decision. The UAB had done a good job digging in to the details. Work has been done to bring the price down. We show we can handle the cost at this time and from a financial standpoint, it is expensive but this is one of our primary responsibilities as a city government. Issues will still be our responsibility and we need to maintain control of the waste stream. She supported the dryer.

MOTION, by Jones, to accept the recommendation from the Public Works Director that the CBJ pursue the biosolids dryer.

Ms. Becker asked if the UAB was split on this decision. Mr. Watt said in the consideration of the conventional options, the UAB all agreed that the dryer was the best option. In the cover memo, the centrality of the board felt that the Assembly needs to make a decision to invest or not. A minority of the board support the monofil because they think a new technology will come on line in the future. The board has nuanced views on the matter. The board members present did not object with his summary.

Ms. Becker said that waiting for another option was appealing, but waiting took a chance as well, and control was also important to her. She liked the monofil idea but we could spend more money waiting for a process and we don't want to get into another lack of control situation so she supported the dryer.

Ms. White said she understood that the UAB was divided, costs can increase, and CBJ has bought down its debt, and needs to be careful due to the current state economy. We are encumbering future assemblies and we need to watch out for ourselves. The monofil option had some good possibilities for providing local jobs. The questions about backfill should have been asked of the other people in the room. We have a private contractor who has helped us over many months to come up with a solution and they have not been paid to do so and the Assembly has "blown them off."

Mr. Kiehl apologized and asked to take any questions from the Assembly for specific persons present.

Ms. Gladyszewski said she was open to hear from people who felt a monofil option was the way to go if they had not had an opportunity to speak.

Mr. Bicknell spoke to the figures in the information packet and said that the monofil option was proposed to buy the city some time.

Mr. Nankervis thanked everyone for their work on this project. He said he came in to this decision thinking he would go for the monofil because he liked the idea of local business involvement. He said the 30 year option though is to go with the dryer and this goes against his usual view of believing the private sector is the way to go. It had taken him time and study to arrive at the decision to support the dryer option and he had surprised himself.

Ms. Gladziszewski said she agreed that she had been a big dryer skeptic but the numbers spoke for themselves.

Roll call:

Aye: Becker, Jones, Gladziszewski, Kiehl, Nankervis, Troll.

Nay: White

Motion passed, 6 ayes, 1 nay.

V. COMMITTEE MEMBER / LIAISON COMMENTS AND QUESTIONS

None.

VI. ADJOURNMENT

There being no further business to come before the Committee, the meeting adjourned at 9:30 p.m.

Submitted by Laurie Sica, Municipal Clerk